

Message Text

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ACTION EB-07

INFO OCT-01 ARA-10 ISO-00 AID-05 CIAE-00 COME-00 FRB-01

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SUBJECT: IMPORTANT BEEF SALE ANNOUNCED

REF: MVD A-122

1. ON OCTOBER 19, AGRICULTURE MINISTER AZNAREZ ANNOUNCED THE SALE OF 25,000 TONS OF BEEF TO BRAZIL. WE UNDERSTAND HOWEVER THAT THE CONTRACT HAS NOT YET ACTUALLY BEEN SIGNED DUE TO A DISAGREEMENT OVER PRICE. THE MEAT WILL BE PROCESSED INTO CORNED BEEF AND ALL OR MOST OF IT IS EXPECTED TO BE RE-EXPORTED TO THE US. A SOURCE IN INAC, THE GOU MEAT MARKETING AGENCY, TOLD US THAT THE PRICE WOULD BE AROUND \$700 PER TON, WITH SOME CUSTS LOWER, AND THAT THEY WERE RELUCTANT TO APPROVE SUCH A LOW PRICE. HOWEVER, THE PRIVATE FRIGORIFICOS HERE ARE SAID TO HAVE AGREED TO THIS PRICE. MISISTER AZNAREZ' PREMATURE ANNOUNCEMENT REFLECTS THE INTENSE INTEREST HERE IN MAKING NEW MEAT SALES. REPORTEDLY THERE IS ALSO A PROSPECT OF AN ADDITIONAL 15,000 TON SALE TO BRAZIL IN EARLY 1976.

2. THE CURRENT SALES, IF CONFIRMED, WOULD BE MOST WELCOME TO URUGUAY AND CONSIDERABLY BRIGHTEN WHAT TO DATE HAS BEEN A VERY POOR EXPORT PICTURE. TRADITIONALLY URUGUAY'S LEADING FOREIGN EXCHANGE

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EARNER, MEAT SALES SO FAR THIS YEAR ARE DOWN 44 PER CENT IN VOL-

UME AND 60 BE VALUE. THE AVERAGE EXPORT PRICE, COMPARED WITH THE CORRESPONDING PERIOD LAST YEAR, DECLINED FROM \$1,318 TO \$964 PER TON. NEVERTHELESS, A NOW PRICED SALE OF MANUFACTURING BEEF TO BRAZIL WOULD BE A NICE COMPLEMENT TO THE EMPHASIS ON HIGH QUALITY CUSTS USED FOR SALES IN EUROPE.

3. THE RETURN OF BRAZIL AS A BUYER OF URUGUAYAN BEEF ON A SCALE COMPARABLE TO 1974, IS ATTRIBUTED HERE TO (1) A SHORTAGE OF FAT CATTLE IN NORTHERN BRAZIL DUE TO DROUGHT; (2) THE STOPPAGE IMPOSED BY URUGUAY OF THE TRADITIONAL CONTRABAND OF URUGUAYAN CATTLE ACROSS THE BRAZILIAN BORDER AND (3) BRAZIL'S DESIRE TO KEEP ITS MEAT-PACKING PLANTS OPERATING IN LIGHT OF A REVIVED INTEREST ON THE PART OF US CORNED BEEF BUYERS.

4. FROM A BOP STANDPOINT, THE REPORTED SALES ARE ALSO VERY IMPORTANT. A 25,000 TON SALE SHOULD BE WORTH ABOUT \$17.5 MILLION AND A 15,000 TON ADDITIONAL SALE WOULD BRING IN \$10 MILLION MORE. THROUGH SEPTEMBER 20, 1975, THIS YEAR'S TRADE DEFICIT WAS \$136 MILLION; THUS THE IMPORTANCE OF THESE SALES IS SUBSTANTIAL.

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